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CENTRAL INTELLIGENCE AGENCY

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COUNTRY Poland

REPORT

SUBJECT Analysis of the Present Economic Situation in Poland

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analysis of the present economic

situation in Poland

Included in the

report are the following: charts showing investment outlays in the

✓ various sectors of the national economy with figures for the years

1950-1958; charts showing the livestock situation and the production

of certain field crops per capita; statistical tables for imports and

exports broken down by country and by kind of goods; charts showing

employment and wages. Certain conclusions

are given 50X1-HUM

at the end of the report ✓

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Poland

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Present General

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a. *[redacted]*
 field lies certainly in inner springs of the economic
 and political movement, which are not widely revealed.
 One of these springs is certainly an amount of investment
 outlays, which according to the last unpublished figures
 amounts to:

Sectors of the National Economy	1950-1955	1956	1957	1958	1950-1955	1958
	in millions zlotys				in %	
Total	240.378	50553	54064	58756	100.0	100.0
of which non socialized economy ^{b)}	9882	3940	6370	7553	4.1	12.9
Industry and handicrafts	105296	21248	22233	24197	43.8	41.2
Agriculture ^{c)}	27349	8396	9127	9886	11.4	16.8
of which non social- ized economy ^{b)}	8056	3012	4603	5436	3.4	9.3
Forestry	800	206	236	214	0.4	0.4
Building	8130	2127	2219	1462	3.4	2.5
Transport and commu- nications	30.173	4565	5126	5784	12.5	9.8
Trade	8130	1371	1381	1914	3.4	3.3
Municipal Services	6800	1386	1695	1862	2.8	3.2
Leisure	27469	7082	8274	9328	11.4	15.9
of which non social- ized economy ^{b)}	1826	843	1047	1335	0.7	2.3
Social and cultural establishments	12183	2611	3083	3435	5.1	5.8
Other	13958	1561	691	674	5.8	1.1

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a) At 1956 prices. Excluding

b) Estimated

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c) Including outlays on residential building in socialized
 farms and on private residential buildings in rural areas
 d) Residential building in urban areas.

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If we now include a second division of data, difference would be even more striking

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Types of outlays	1950-1955	1956	1957	1958	1950-1955	1958
	in mil. dollars				in %	
Total	230,496	46,613	47,694	51,203	100,0	100,0
Outlays on building and construction	145,977	27,699	28,500	31,228	63,3	61,0
Outlays on machinery, installations, tools and stocks	68,252	15,554	15,454	16,243	29,6	31,7
Other investment outlays	16,267	3,360	3,740	3,732	7,1	7,3

At 1956 prices. Excluding outlays on ~~livestock~~ Livestock.

a) Including, among others, outlays on: project-and-estimate documentation, geological research work, investment survey etc.

b. To pursue supplied data for the analysis, which follows, we switch now to another field of crucial importance - agriculture, bringing about recent classified data:

Production of certain field crops per capita

Field crops	1949	1955	1957	1958
	in kilograms			
4 cereals	487,5	464,2	477,7	471,3
of which: wheat	73,0	78,2	81,9	81,6
rye	276,9	256,7	262,7	254,9
potatoes	1265,9	990,6	1240,1	1209,8
sugar beet	196,2	267,1	269,2	292,2
Rape and rapeseed	3,4	5,6	3,6	2,8

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Here again An even more drastic situation we can find in the domain of livestock

	Cattle		Pigs ^a	Sheep	Horses
	total	of which cows			
IN THOUSAND HEADS					
Total					
1955	7912,2	5454,7	10889,3	4243,2	2560,1
1957	8264,8	5766,6	12325,4	4030,6	2623,0
1958	8209,7	5934,4	11858,9	3882,3	2732,5
of which:					
Private farms ^a					
1950	6798,3	4644,7	8759,0	2047,1	2660,2
1957	7340,9	5264,4	10489,2	3535,4	2405,2
1958	7323,5	5415,2	10536,5	3439,7	2518,6
Cooperative farms ^b					
1950	35,9	26,0	40,2	10,9	14,3
1957	79,3	53,3	142,8	57,3	18,2
1958	72,0	49,5	124,2	48,7	17,4
State farms ^c					
1950	259,8	101,5	347,3	112,7	107,1
1957	608,0	270,8	876,2	345,0	158,4
1958	530,0	294,9	578,8	304,0	157,7

- a) (including livestock belonging to private persons having no farms
 b) In 1950 organized cooperatives; in 1957 and 1958 Cooperatives carrying out collective farming. Including livestock owned by members of cooperative farms
 c) State ownership

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C. Third Group of economic difficulties
is represented by the foreign trade. This domain
can be also characterised quantitatively in two
statistical tables

	1958			
	imports		exports	
	in mln zl	%	in mln zl	%
Total	4907,3	100,0	4237,5	100
of which:				
Czechoslovakia	377,8	7,7	289,9	6,8
Germany (East)	621,9	12,7	425,5	10,0
Hungary	135,4	2,8	114,6	2,7
USSR	1335,9	27,2	1060,8	25,0
China	145,0	3,0	288,6	6,8
&				
Great Britain	332,0	6,8	275,2	6,5
USA	406,8	8,3	107,1	2,5
Germany (West)	268,5	5,5	283,5	6,7

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and by structure

Groups of goods	1957	1958
	in percentages	
IMPORTS		
Total	100,0	100,0
Machinery, Transport- and other equipment	23,8	26,7
of which:		
electric machinery & equipment	2,2	3,4
machinery and full equipment of industrial establishments	3,8	2,5
machinery and equipment for chemical foodstuffs- timber- building and other industries	3,4	5,4
Raw and other ^{materials} materials for production	53,1	53,9
of which:		
fuel	6,3	6,9
raw materials for heavy industry	22,6	24,0
raw materials for light- and building industry	21,4	20,7
supply of agriculture	2,8	2,3
Agricultural foodstuffs	17,4	17,0
Industrial consumers' goods	5,7	8,4
EXPORTS		
Total	100,0	100,0
Machinery, transport- and other equipment	20,0	26,8
of which:		
metal working machine tools	0,8	0,9
machinery and full equipment of industrial establishments	1,5	1,8
rolling stock	5,4	5,1
ships, boats and equipment	4,3	5,5

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	1957	1958
	in percentages	
Raw and other materials for production	67,0	50,8
of which:		
coal and coke	39,3	28,9
iron and zinc	12,1	11,9
timber and paper	2,5	2,3
Agricultural foodstuffs	12,6	16,9
Industrial consumers' goods	6,4	5,5

a. Last but not least comes the problem of wages of the population. For the last three years the situation looks as follows:

Years	Gross salaries and wages fund (in mln rub.)	Employment ^a (in thous)	Average monthly pay (in rub.)		Index of average nominal net wages	
			Gross	Net ^b	1949 = 100	Previous year = 100
1956	7285 100 509	7083	1183	1109	248,0	110,8
1957	72 118 951	7279	1362	1266	283,1	114,2
1958	126 915	7326	1444	1331	297,8	105,1

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and another table

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	1956		1957		1958	
	Employment in thousands	Wage bill in mil. \$	Employment in thousands	Wage bill in mil. \$	Employment in thousands	Wage bill in mil. \$
Total	6,787.1	98,007	6,887.4	115,766	6,851	123,674
Agriculture and forestry	670.4	7,184	645.9	7,489	585	7,558
Outside agriculture and forestry	6,116.7	90,823	6,241.5	108,277	6,266	116,118
of which:						
Industry and handicraft	2,802.7	44,388	2,900.2	54,916	2,921	58,524
Building	744.6	12,698	730.7	13,892	722	15,356
Transport and communication	591.2	8,442	621.2	10,489	650	11,556
Trade	673.5	8,302	672.2	9,636	662	9,930
Municipal housing services and housing	148.1	1,958	168.7	2,631	174	3,012
Social and cultural establishments	645.6	8,105	677.3	9,686	709	10,738
Administration	358.8	5,057	338.5	5,255	300	5,128

	1955	1956	1957	1958
Index of the cost of living	100.0	99.4	105.0	107.1
- - - average real wage	100.0	111.6	120.8	124.8
previous year = 100	x	111.6	108.2	103.3

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For the last three quarters of ~~the year~~ ^{the year} the ~~economic~~ economic situation developed in the following way:

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- a. Industrial production has risen during this time about 9% in comparison with the same time period of 1958. In this a part of the heavy industry increased about 11%, while the light and food industry increased only 6%, and the part of small and cooperative industry was nil in this rise (as a matter of fact this latter has fallen slightly). Investments during this period had risen totally about 22% in comparison with the same period of the last year.
- b. In the domain of agriculture - harvest of cereals has risen slightly the crops in comparison with a similar period of 1958, while droughts influenced strongly crops in vegetables, fodder and winter crops, and livestock has fallen alarmingly.
- c. In the foreign trade: until now import of cereals was to a certain degree counterbalanced by the export of meat. In 1959 Poland started a simultaneous import of some sorts of meat, and cut both import of cereals and export of meat. At the same time a considerable fall of coal prices

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was hardly counterbalanced by the increased volume of export of coal.

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d. Wages and salaries bill increased about 20% in comparison with 1958.

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A following conclusions are drawn:

1. Investment activity increases constantly in industry, agriculture and housing. Nonetheless while ^{examining} closely the figures, it is to be seen that increase in machinery, installations, tools and stock is much more intense than in other domains of investment. Conclusion is easily to be drawn, namely that of following an orthodox way of investment in the means of production instead of ^{salvaging} ~~equilibrating~~ these outlays in investments in infrastructure and secondary (non-productive industries) and tertiary (services) sectors of economy.

2. This creates a number of primary effects

a. Increase in the import of machinery, transport and other equipment (from 23.8% to 26.7%)

Increase in import of raw and other material for production (from 53.1% to 53.9%)

b. Increase in employment in industry, at the expense of all other branches of national economy, except transport

Considerable increase in the wage bill for industry, and as well - for all other branches of economy (except administration) despite the fact that employment has fallen in all these branches

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3. Field crops of basic cereals have fallen. The single increase in field crops in all branches is to be noted in the ^{sugar} beet, which pays is of a relatively minor importance.

4. A considerable fall is to be noted in cattle herding, in which for cows and ^{sheep} pigs for all three sectors of agricultural propertyship (private, cooperative, state farms). Herding of pigs increased only in the private farms, but peasants were reluctant to deliver it to the state distribution net, showing a strong tendency to rise profits through black market.

4. There is an acute disequilibrium in the foreign balance of payment and the trade balance with foreign countries, to which contribute mainly such creditors, as USSR, East Germany and Czechoslovakia on one side and Great Britain and USA on the other side.

Situation outlined is self sustaining, considering that a tendency to increase the rate of investments and a rate of increase of industrial production remains valid. Those two phenomena, plus a rate of ^{increase of} productivity stopped (technical progress is practically checked).

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which gives a perfect proof of brakes on the technical progress, created by through the lack of incentives) must lead in some way to a repeated story of 1955-1956, namely:

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- rise in volume of investment goods, without a parallel rise in complementary industries and services
- fall in agriculture supplies
- decrease in export possibilities, due to the low attracting power of exported machinery (no modernization etc.) and lack of possibilities in agricultural export
- rising cost (halted increase in productivity, & increased wages bill)
- inflation of the buying power of wages of industrial workers (free market prices for agricultural goods would rise quicker than wages).

It is to be foreseen that following measures will be adopted in order to safeguard the basic ^{foreseen} tendency of investments in heavy industry:

- increase of prices for industrial goods (construction & building materials, agricultural machines) delivered for peasants. This method of drainage of peasant's buying power is foreseen to constitute an incentive towards bigger deliveries of agricultural goods
- administrative measures aiming to restrain free market speculation with meat and

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agricultural products

- strengthening of the ^{direct} administrative control in industry, in order to increase productivity through a more intense work

- more detailed planning methods, imposed by administrative organs and executed narrowly by intermediate bodies

- rigid limitation of the wages' bill. Simultaneous cut in all additional sub-orders, representing a super-revenue for intellectual workers, engineers and administrators (foremostly - ~~at~~ projecting of and plans in technology, design and economy, realised beyond office hours and constituting a constant personal income for thousands persons).

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